



The Motley Fool
Fool.com

More Tips From Wall Street's Best: Merriman Curhan Ford & Co.

Brian D. Pacampara

January 18, 2007

It doesn't take a genius to be skeptical, if not outright distrustful, of the advice spouted by Wall Street's Wise Men. And if you're like me, you've also become completely desensitized to the [upgrades and downgrades](#) that professional analysts assign to stocks on a dizzying, [day-to-day basis](#).

After all, when you follow stocks closely enough for a long enough period of time, it's easy to realize that Wall Street analysts -- as a whole -- really don't provide any special insights that translate into outsized returns over the long haul.

In fact, the track record of professional analysts is so questionable that one could make an argument for being like [George Costanza](#) and actually doing the opposite of what Wall Street says. Now *that's* what I call skeptical!

Professional what?

Whether they're too conflicted, too optimistic, too caught up in protecting their jobs, or too wrong, professional analysts don't inspire as much awe as they once did.

But that doesn't mean they're *all* bad.

Many analysts are savvy stock pickers. In fact, *The Wall Street Journal* celebrates the best analysts and the best calls across industries annually. Even so, there's simply not enough transparency in the industry to know just who the best and worst analysts are. That's bad for the good analysts; they're unwittingly protecting the sheep.

Until now ...

Enter [Motley Fool CAPS](#), our brand-new community-intelligence database, which tracks the outperform and underperform ratings that both individual investors *and* pros put on stocks. In turn, every stock and every investor earns a rating.

Yes, you read that correctly: Every investor is rated. That means we can finally answer the age-old question: Which analysts are better stock pickers than my grandmother?

For example, [Morgan Keegan](#), the Tennessee-based investment firm, may not be. According to our data source, Morgan Keegan is among the bottom one-fifth of all portfolios currently participating in [our service](#).

However, a number of firms have proved themselves exceptional stock pickers since Briefing.com added their data to CAPS. Last week, for example, we [highlighted](#) some of the impressive calls that Jefferies Group has been piling up in the game.

Bet with the best

Yet another savvy pro that's high atop the CAPS charts is **Merriman Curhan Ford & Co.**, a full-service brokerage headquartered in San Francisco.

As of this writing, Merriman & Co. is ranked 44th overall in CAPS (and fourth among professional analysts), having crushed the market since last August with 72% accuracy.

At first glance, a ranking of 44 doesn't sound like much, but with more than 20,000 participants in CAPS, Merriman & Co. has a score that puts it ahead of 99.79% of other investment portfolios. No small feat, indeed.

The sweetest calls

The firm's recent big winners include **Fuel Tech** (Nasdaq: [FTEK](#)), **The Knot**, and **Flamel Tech** (Nasdaq: [FLML](#)) -- all of which are up more than 70% since August.

If you're looking to piggyback on some newer picks, however, know that the firm has also bestowed outperform ratings upon **Himax Technologies** (Nasdaq: [HIMX](#)), **Advancis Pharmaceutical** (Nasdaq: [AVNC](#)), **Vical** (Nasdaq: [VICL](#)), and **Volcano Corp** (Nasdaq: [VOLC](#)) within the last month.

Street wisdom worth using

By simply examining these recommendations, we should be able to learn some key investment lessons from one of Wall Street's best.

For example, you might have noticed that Merriman's recommendations are relatively small and unknown companies. An even more important trait is that most of these selections break new ground (or attempt to, anyway) within the fields of biotechnology, "next-generation" energy, industrial technology, and dot-com concepts, just to name a few. That's no accident.

According to the company's website, Merriman's analysts "concentrate on bottom-up, fundamental analysis of fast-growing, small-cap companies in select industries." In fact, nearly 80% of the stocks that Merriman covers are capitalized at less than \$1 billion, and most of them are in emerging industries.

Breaking the rules like a few special Fools

Merriman's approach is eerily similar to the style implemented by the gurus over at our *Motley Fool Rule Breakers* newsletter service. They both search for "top-dog," first-moving, early-adopter companies on the cusp of remarkable breakthroughs. And when chosen wisely, these are the picks that provide whopping returns. The Knot, as a matter of fact, was also recommended by *Rule Breakers* a year ago, and the stock is up 148% since.

As for me, I try to stay away from tech stocks for one reason -- there's no way that *I* could identify them. There are incredibly sharp analysts like Merriman and the squad over at *Rule Breakers* that have the right kind

of resources and brains (which I don't have) to consistently pick out the winners. I'd have no shot to beat 'em, so I'd be more inclined to join 'em.

Judging from Merriman's accuracy, concentrated portfolio, and All-Star performance in CAPS, this is at least one Wall Street firm that might be worth watching.

Warning: Past performance does not guarantee future results

Of course, the caveat here is that we've only been tracking Wall Street picks for a few months now. While we can't yet call the data predictive, it's at least very interesting to examine.

If you'd like to take a look at the rest of Wall Street's best and worst analysts and their stock recommendations, click [here](#) to join the CAPS community absolutely free. You can also get all kinds of opinions on the stocks you're looking to buy, sell, or hold.

And hey, you might even find yourself surpassing some of Wall Street's best and brightest in no time.

The financial community has been opaque for too long. [CAPS](#) can change all that.

The Knot is a [Motley Fool Rule Breakers](#) recommendation. To see which other stocks the Rule Breakers team has identified as the all-stars of the future, take a [30-day free trial](#) of the service.

Foolish contributor [Brian Pacampara](#) always did the opposite of what his high school guidance counselor said. He holds no position in any of the stocks mentioned. Flamel Tech is a Hidden Gems selection. The Fool's [disclosure policy](#) always points you in the right direction.